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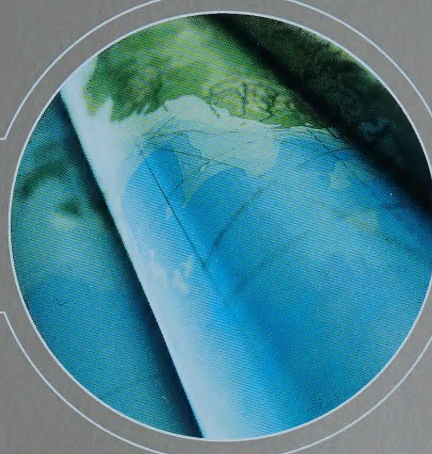
PUTTING OUR ASSETS TO WORK



GULFSTREAM RESOURCES CANADA LIMITED

1999 ANNUAL REPORT

Corporate Profile

Gulfstream Resources Canada Limited is an international oil and gas company with a portfolio of world-scale assets in Oman, Qatar and Madagascar. Its asset mix includes both oil and gas producing and prospective properties, with short and longer-term potential. Gulfstream participates in these projects as a joint venture partner and as an operator. The Company manages its assets from its operational headquarters in Nicosia, Cyprus and maintains a corporate head office in Calgary, Canada.

Annual Meeting

The Annual Meeting of Shareholders is scheduled for Wednesday, March 22, 2000 in the Lakeview Room, The Westin Hotel, Calgary, Alberta at 3:00 pm.

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Financial Highlights

(000's except per share data)	1999	1998	1994
Gross revenue	**$ 34,574**	$ 50,339	$ 2,441
Cash flow	**$ 16,502**	$ 7,788	$ (416)
Per share	**$ 0.28**	$ 0.13	$ (0.01)
Net income	**$ 7,220**	$ 10,022	$ 1,745
Per share	**$ 0.12**	$ 0.17	$ 0.04
Oil and gas capital expenditures	**$ 29,553**	$ 37,295	$ 2,390
Long-term debt	**$ 0**	$ 20,837	$ 0
Shareholders' equity	**$ 107,160**	$ 106,323	$ 13,018
Outstanding shares	**59,506**	59,416	47,261

Operating Highlights

	1999	1998	1994
Gross sales (b/d)[1]	**4,551**	7,603	466
Proven reserves[2]			
Al Rayyan (mmbbl)	**23.6**	32.3	0
Oman (bcf)	**290**	172	0
North Field (bcf)[3]	**3,773**	3,773	0
North Field (mmbbl)[3]	**250**	250	0
WTI price (US$/bbl)	**16.28**	16.19	16.71
Sales price (US$/bbl)	**12.95**	12.04	14.89
5 year finding and development cost ($/boe)[4]	**2.60**	2.18	N/A
Undeveloped land (net km^2)	**27,160**	27,160	**1,106**

[1] *working interest share*
[2] *working interest share, based on independent reserve evaluations*
[3] *based on estimates of expected gas sales*
[4] *gas/oil conversion 10:1, North Field reserves excluded*

Gulfstream Resources was re-structured in mid-1993 and first recorded production in late 1994

A Message from the Chairman

THE PRINCIPAL STRENGTHS OF GULFSTREAM ARE ITS PEOPLE AND ITS ASSETS

1999 was a turbulent year for our industry - a year of highs and lows, of growth and retrenchment. Within a twelve-month period, oil prices fell to ten-year lows and recovered to ten-year highs. Equity markets have only partially recovered. It was a year of high profile and large-scale mergers and acquisitions. Many companies faltered. Our industry has encountered conditions like this in the past, but seldom as dramatic over as short a period of time.

Our own accomplishments in 1999 were significant. In Oman, approval of the Hafar gas development paves the way for the commencement of this very strategic asset for Gulfstream and for the Sultanate of Oman. The Hafar project represents Gulfstream's first production as operator and is the first gas development by a concession holder in Oman. Engineering and design work is completed and major contracts have been approved for award. Independently verified proven reserves in Oman have increased by 70% from last year.

In Qatar, two production wells were added and eight wells were producing at Al Rayyan at year-end. While production was restricted by OPEC quotas to 16,500 barrels per day, sales revenues increased over the year as oil prices strengthened. Today, realized prices for Al Rayyan oil are almost three times the lows experienced in early-1999. Low oil prices proved to be a catalyst for re-engineering of expansion plans at Al Rayyan which identified significant cost reductions. Proven reserves at Al Rayyan fell slightly after accounting for production during the year. To date, over 20 million barrels of oil have been produced from the field.

The Qatar Consortium advanced its appraisal of Block 11, south of the Al Rayyan field. Sizeable probable and possible reserves have been assigned to this important asset. Natural gas rights in the giant North Field were extended by the Government of Qatar, providing a continuing framework for initiatives by the Qatar Consortium to realize the tremendous potential of this asset.

In Madagascar, Gulfstream continues to be significantly ahead of work commitments defined by convention agreements for both its offshore and onshore blocks. Madagascar is proving to be an exciting gas development opportunity, which will take time to unfold.

Our financial results for the year were positive, and consistent with projections we made and announced early in the year. Net income for the year was $7.2 million or 12 cents per share. The Company achieved record cashflow of $16.5 million or 28 cents per share, in large part due to strategic transactions recorded in October of 1998. Gulfstream had no long-term debt at year-end and has subsequently repaid all short-term indebtedness to leave the Company debt free.

The history of our Company has been based on non-debt funding focused on project spending. Gulfstream raised $150 million over the past five years - 40 percent from equity and the remainder from cashflow and other non-debt sources. Outstanding shares increased moderately from 50 to 60 million. Close to 85 percent of monies were expended on Gulfstream's capital projects. Finding and development costs over

the five-year period averaged $2.60 per barrel of oil equivalent, significantly lower than the best performers in the Canadian market. This calculation excludes reserves for the North Field. Future spending to bring production to maturity is expected to increase this average to $4.80 per barrel, still among the best performers in our industry.

1999 was not without its disappointments and challenges. Gulfstream's working interest share of production from Al Rayyan declined by 1,500 barrels per day due to OPEC production curtailments. Record low oil prices in late-1998 and early-1999 had a negative impact on plans and budgets of the Qatar Consortium, affecting the pace of expansion at Al Rayyan and appraisal of Block 11. Optimization initiatives provided an opportunity to accelerate expansion of Al Rayyan that was not seized upon. Negotiations towards a precedent-setting natural gas contract from the North Field advanced but were not finalized. While we received approvals for the Oman gas development, they occurred later in the year than expected. We initiated important senior management changes in March of the year but were unable to cement a long-term relationship with our chosen President and Chief Executive Officer.

Gulfstream's share price performance through the year was extremely disappointing and frustrating. We have faced an uphill battle in a weak market despite a recovery in oil prices; however, there is significant cause for optimism. We are clearly emerging, albeit slowly, from a down cycle in our industry. Retrenchment in our industry is always followed by growth. Rationalizations always create opportunities, particularly for smaller companies and niche players. In this instance, many of these opportunities will have an international flavour.

The principal strengths of Gulfstream are its people and its assets. Our people strive for technical excellence. Our asset base is unique in terms of diversity, scale and promise. I believe these strengths will be augmented by a healthier industry and a climate of opportunity and welcome the coming year with anticipation.

Sincerely,
J. Angus McKee

INTERVIEW WITH J. ANGUS McKEE

THE FOLLOWING QUESTIONS REPRESENT SOME OF THE MOST URGENT ISSUES FOR OUR SHAREHOLDERS

Q: What can we expect from Gulfstream in 2000?

A: Gulfstream is in the early stages of development at Hafar in Oman and at Al Rayyan in Qatar. These projects are expected to commence production in the 2001 fiscal year and, as such, will not contribute to income and cashflow in 2000. While production from Al Rayyan is now limited to 15,000 barrels per day to the end of March 2000 and possibly beyond, we expect that revenues will be bolstered by world oil prices that average in excess of $US 22 per barrel for the year. On this basis, operating results should be improved in 2000. There are several important caveats to this projection. Most important, it is based on our current mix of assets and participation interests. Prevailing conditions in our industry and among our projects offer many avenues for growth and diversification, and we are pursuing them. We will continue our efforts to secure a precedent-setting contract for North Field natural gas. We do not expect to be drilling in Block 11 or in Madagascar in 2000, as we focus our financial resources on projects which will generate cash flow in the shorter term.

Q: What is Gulfstream doing about financing?

A: The ARCO funding arrangement addresses our most significant financing challenge - for North Field natural gas. We believe that the appropriate financing for our projects in the shorter term is a combination of debt alternatives, and have been pursuing multiple and parallel initiatives since early 1999. Our objective has been and continues to be to finance without equity dilution. Initiatives are well advanced and are expected to be concluded in early 2000. They are augmented by a strong balance sheet, a zero debt position and positive project economics.

Q: What potential roadblocks or challenges are ahead?

A: I believe that Gulfstream possesses the fundamental ingredients for success in our business - a strong asset base, capable people, and supportive host governments. Our ultimate goal is to create and substantiate value. To achieve that goal, we must advance our current projects and add to our inventory, according to realistic and well-understood timelines. Timing can be problematic. It depends on satisfactory financing, which in turn imposes its own timetable. Initiatives in Qatar depend to a great degree on a shared commitment among our partners. Al Rayyan is a case in point. Our single producing asset at this time is by and large a non-core asset to our partners. The nature of our business depends on host government approvals at all stages. The entrepreneurial nature of our Company often results in Gulfstream forging new territory - as we have in Oman and Madagascar, which can make scheduling unpredictable. These are fundamentals that have been with us in the past and will continue to be with us in the future. While they can lead to delays and frustrations, they should not impact the inherent value of our Company.

Q: How does Gulfstream plan to approach the market in 2000?

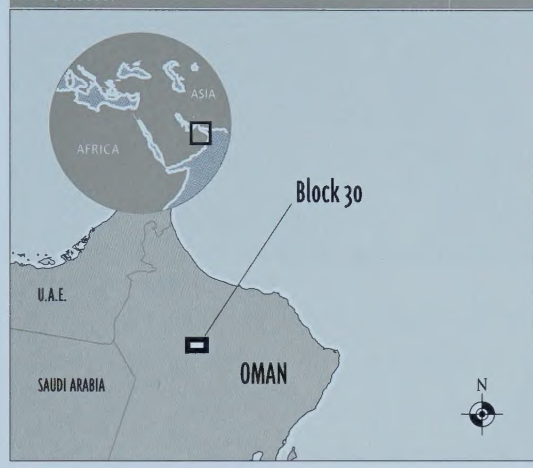
A: We believe that a record of short-term successes will establish confidence in the value of our Company, which is substantial. We have an exciting story to tell, and will take every opportunity to communicate our ambitions, our challenges and our potential. However, ultimately, we expect to be valued on the basis of concrete results.

Operations Review

PUTTING OUR ASSETS TO WORK

OMAN

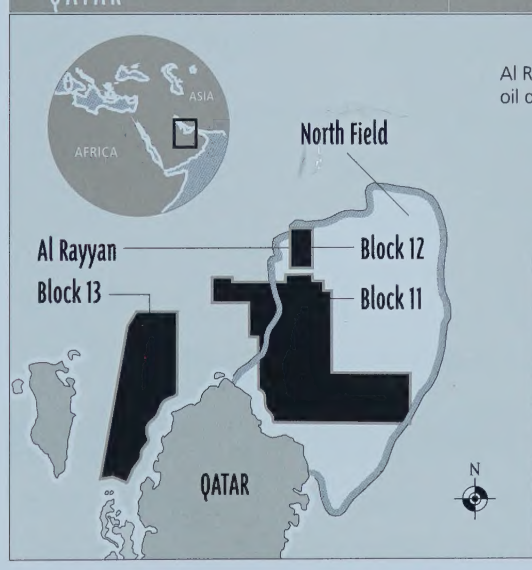
1995	1996	1997	1998	1999
		Block 30 EPSA awarded	Seismic program	Hafar gas development approved



PROJECT	DESCRIPTION	STATUS
Hafar Gas Development	85 mmcfd project	Gas contract being finalized
Block 30 Exploration	Integration with Hafar gas development	Drilling locations identified

QATAR

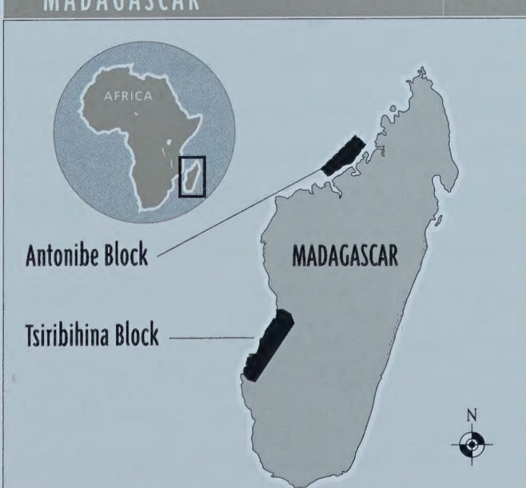
1995	1996	1997	1998	1999
Al Rayyan oil discovery	ALR-8 discovery (Block 11); Al Rayyan first oil	Block 11 seismic program; 6 wells producing at Al Rayyan	OPEC quotas introduced	8 producing wells at Al Rayyan



PROJECT	DESCRIPTION	STATUS
Al Rayyan (Block 12)	Producing	Expansion approved
Block 11	Oil & gas exploration and development	Drilling locations identified
Block 13	Oil & gas exploration and development	Under force majeure
North Field Natural Gas	Gas development	Negotiating initial gas contract

MADAGASCAR

1995	1996	1997	1998	1999
Letters of Intent, Tsiribihina and Antonibe concessions		Convention documents signed; Tsiribihina seismic program	Antonibe aeromagnetic survey	



PROJECT	DESCRIPTION	STATUS
Tsiribihina	Oil & gas exploration and development	Work obligations ahead of schedule
Antonibe	Oil & gas exploration and development	Work obligations on schedule

OMAN

Block 30

BACKGROUND:

Block 30 encompasses a 1,200 square kilometre area in north-central Oman. Gulfstream entered into a Production Sharing Agreement with the Government of Oman for the Block in late-1997. The Company has a 100% interest and is operator.

Gulfstream initiated a 317 kilometre seismic program in September, 1998 and completed the program in December of the year. A Plan of Development for the Hafar area of the Block was submitted in February, 1999 and final approval was granted in October, 1999, including the definition of key commercial terms for the purchase of natural gas by the Government. The Hafar gas development in Block 30 is the first gas development in the Sultanate by a concession holder based on an Exploration and Production Sharing Agreement, and the first purchase of natural gas by the Government.

Gulfstream is currently working with legal representatives of the Government of Oman on documentation for a gas purchase contract, according to commercial terms - including pricing and quantity - agreed to in October.

1999 HIGHLIGHTS:

- Government approval of Plan of Development
- Front-end engineering and design completed, major contracts approved for award
- Proven raw gas reserves 290 billion cubic feet, probable gas reserves 134 billion cubic feet

2000 OBJECTIVES:

- Gas purchase contract signed in early 2000
- First gas 10 - 12 months after signing of gas contract

DESCRIPTION:

Block 30 was first explored in 1967 and consists of portions of two former concessions. Five wells were drilled in the area between 1967 and 1990. The Hafar, Nadir and Al-Sahwa wells were completed. Two Hamrat Duru wells were plugged and abandoned and are future re-entry candidates.

Gulfstream has identified economic accumulations of natural gas in three structures. The Al-Sahwa and Hafar structures tested gas from the Natih and Shuaiba formations and the Nadir structure tested gas from the Natih.

Proven raw gas reserves in Block 30 total 290 billion cubic feet, with additional probables of 134 billion cubic feet. Reserve estimates have been verified by internationally-recognized independent reserve engineers.

DEVELOPMENT:

The Plan of Development for the Hafar area outlines a plan to drill, produce and transport natural gas reserves found within three structures along the Hafar-Nadir fault in the south-west of the Block. The Plan is based on currently identified proven and probable reserves. Further reserve additions are expected during the course of ongoing appraisal and drilling.

Production is projected to commence at 85 million cubic feet per day from a total of eight wells. Two well re-entries are contemplated. Processing will consist of separation, compression, dew point control, dehydration, and gas metering. A 16-kilometre sales pipeline will be constructed from the central processing facility to the existing Oman gas transmission line.

Capital cost for the project prior to startup is approximately \$US 50 million, including \$US 13 million expended to date. A ten to twelve month construction period is required, following signing of the gas purchase contract.

Front-end engineering and design for the project are complete. Drilling consumables are currently in-country. Drilling, completions and civil contracts have been approved by the Government, the requisite Environmental Impact Assessment has been completed and major construction contracts have been tendered and approved.

Facilities are designed for an operational life of twenty-five years, with a nameplate capacity of 100 million cubic feet per day. The design incorporates proven and reliable technologies. Equipment will be skid-mounted and packaged to the extent possible to maximize construction quality and minimize on-site construction

and costs. Facilities are sized to meet export gas specifications but will accommodate future expansion.

Block 30 has significant identified reserves, nearby infrastructure, and a supportive and stable host government. Development relies on generic development technology, capital expenditures are modest, operations are straight-forward, fiscal terms are attractive and there is additional upside through exploration. Furthermore, there is opportunity to leverage success at Block 30 to acquire additional concessions in Oman. Block 30 is a significant project, especially considering Gulfstream's 100% interest. Gulfstream's net share of gas production is roughly one-half of the Company's expected net share of gas production from an initial gas project from the North Field in Qatar.

QATAR

BACKGROUND:

Gulfstream is a member of the Qatar Consortium consisting of Gulfstream (27.5 percent interest), ARCO (Operator, 27.5 percent), BG (25 percent), Wintershall (15 percent) and Preussag Energie (5 percent). The Consortium has been granted rights in four areas offshore Qatar, including Al Rayyan (Block 12), Block 11, North Field natural gas and Block 13. These rights are defined by various agreements with the Government of the State of Qatar, dating as far back as 1976 and as recently as 1997.

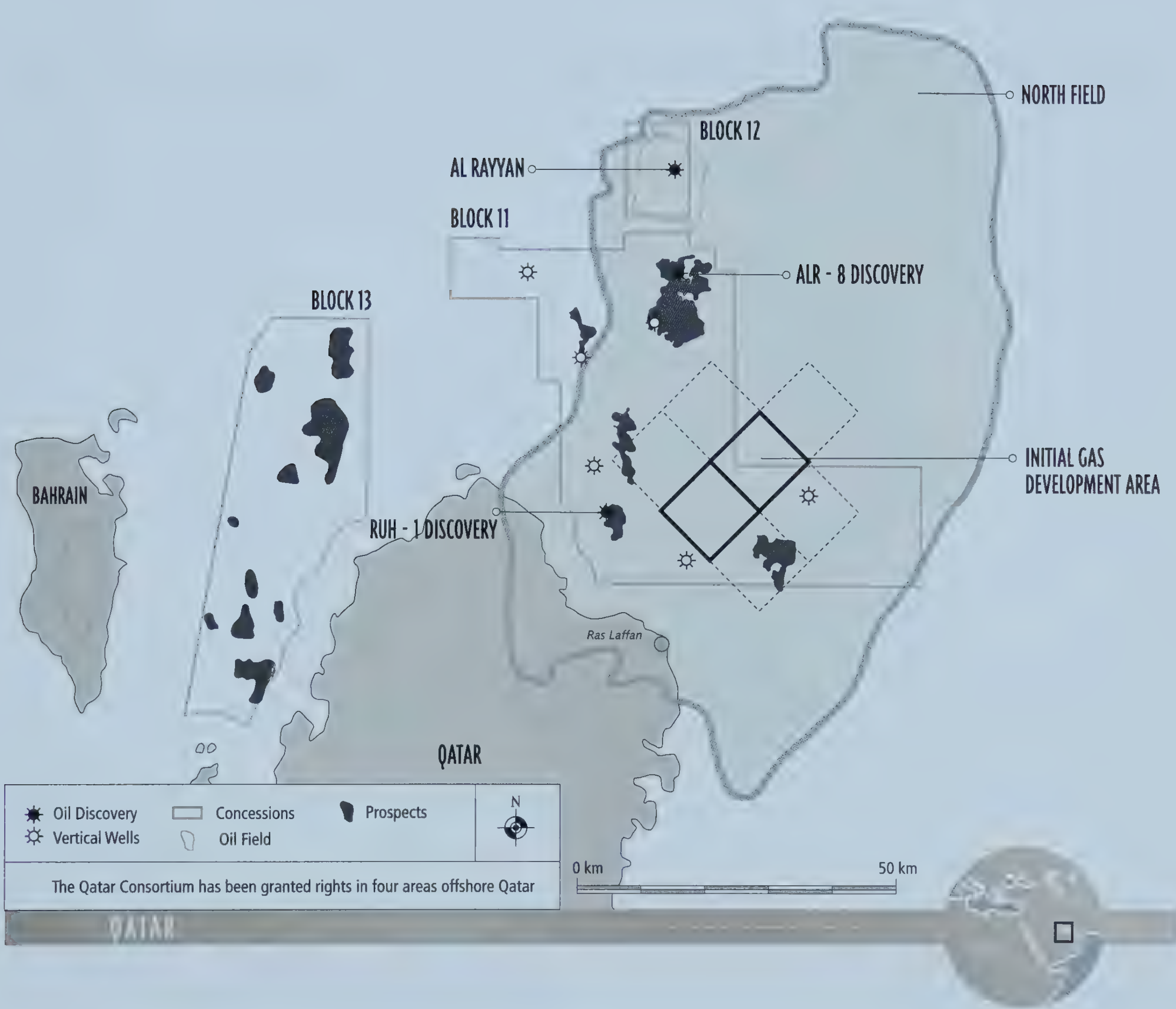
The Qatar Consortium is currently active along three fronts. The Al Rayyan oil field is producing and is in the early stages of expansion. An active appraisal program is being conducted in Block 11. Initiation of a large-scale gas development from the North Field is awaiting finalization of an initial gas contract.

1999 HIGHLIGHTS:

- **Al Rayyan**
  - › 2 horizontal wells added (8 total wells)
  - › 6.0 million barrels produced (16,500 barrels per day) - restricted by OPEC quotas
  - › 20.1 million barrels produced since start-up
  - › Average realized price $US 12.95/bbl
  - › Remaining proven reserves 80.3 million barrels (Gulfstream interest 23.6 million barrels)
  - › Optimization of Al Rayyan expansion plan
- **Block 11**
  - › 7 prospects and leads identified to date
  - › Probable reserves 130 million barrels (Gulfstream interest 36 million barrels)
- **North Field Natural Gas**
  - › Extension of gas marketing rights

2000 OBJECTIVES:

- Position for expansion at Al Rayyan
- Optimize Al Rayyan production through 2000 - compliance with OPEC quotas
- Secure initial contract for North Field natural gas



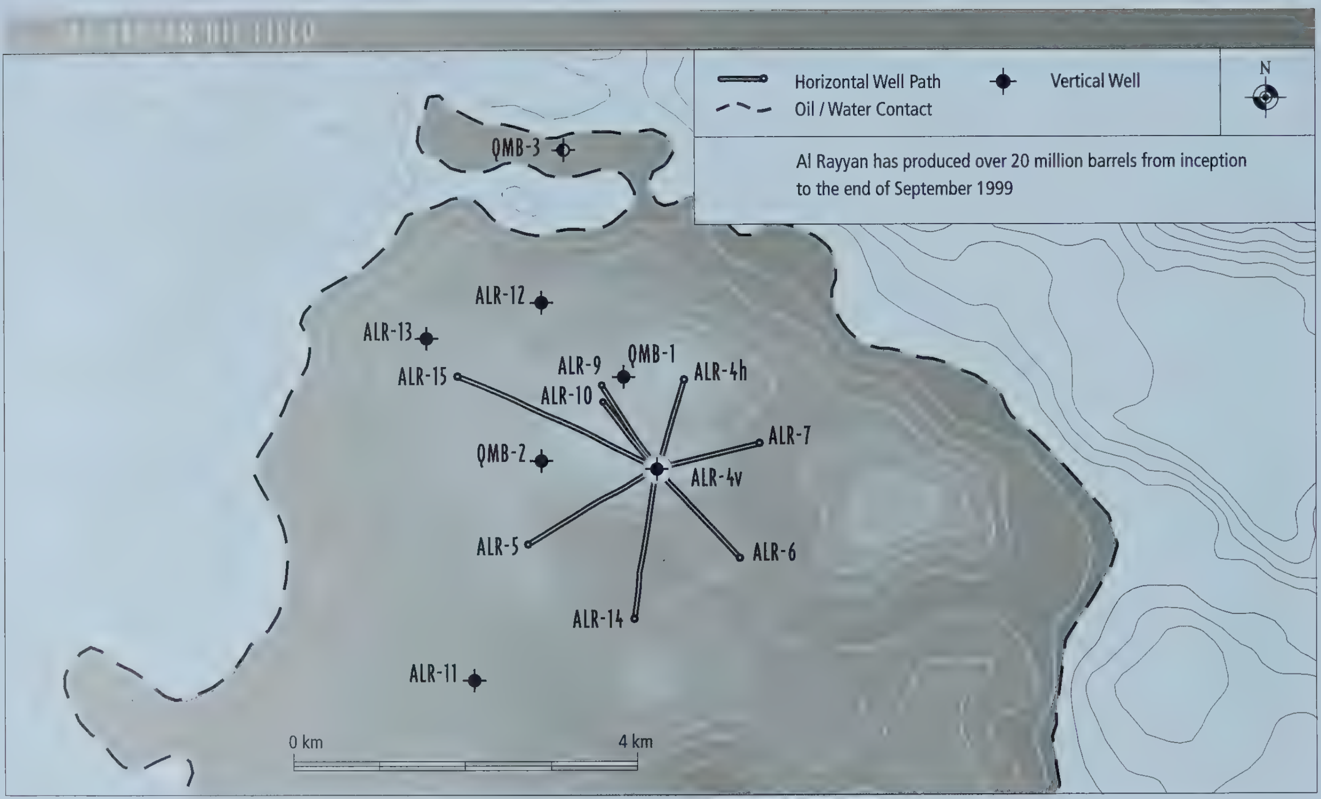
The Qatar Consortium has been granted rights in four areas offshore Qatar

Al Rayyan

BACKGROUND:

The Al Rayyan offshore oil project was brought on stream by the Qatar Consortium in late-1996 employing an early production and appraisal facility consisting of a refurbished and leased jack-up production platform, four initial horizontal production wells, leased floating storage and offloading facilities. Three vertical appraisal wells have since been drilled at peripheral locations in the field and four horizontal producers have been added, including two wells in 1999. A step-out well 18 kilometres to the south of the original discovery encountered oil in a separate structure in what is now the Block 11 area.

The Qatar Consortium has a 21-year production license for the Al Rayyan field. According to terms of the original Plan of Development for the field, the Consortium was required to submit a plan for future activity to Qatar authorities by November, 1997. This date was



subsequently extended to February, 1998. The full field Plan of Development was approved by the Government of Qatar in September, 1998. The Plan proposed to construct a permanent production platform capable of processing 60,000 barrels per day of oil and 180,000 barrels per day of fluids (oil and water). Initial capital estimates totaled $US 154 million over a 27-month construction period, with startup scheduled in late-2000.

Dramatic oil price declines in late-1998 and early-1999 had a negative effect on plans and budgets of the Consortium and slowed the pace of expansion activity at Al Rayyan. However, re-engineering initiatives identified capital savings and lead to the formulation of an optimized expansion plan. Tendering for an existing jack-up production facility has recently been completed and bids are being evaluated.

The Qatar Consortium has presented a capital budget of $US 90 million for the 2000 calendar year for Al Rayyan expansion (Gulfstream share $US 24.8 million). In parallel, the Consortium has requested confirmation from the Government of Qatar that future OPEC production curtailments will not preclude plans for the year.

DESCRIPTION:

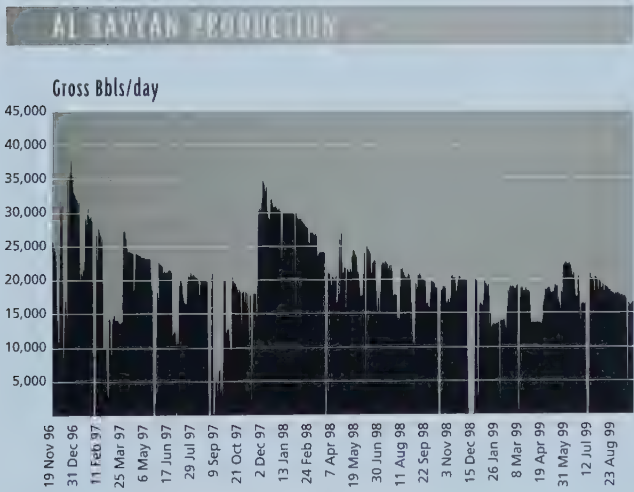
The Al Rayyan field is a flat anticlinal structure which has a relief of 70 feet across a field of approximately 10 kilometres in diameter. The producing Arab formation has high permeability, good porosity and a strong water drive. There is a relatively dense two-dimensional seismic grid across the field. The central area of the structure has been well-defined by the original appraisal wells (QMB-1 to QMB-4) and more recent delineation wells (ALR-11 to ALR-13). Two long-

reach production wells (ALR-14 and ALR-15) were completed to establish production capabilities at the flank of the field. The producing reservoir horizons are the Arab A and Arab C which form part of the Arab sequence that is widespread in the Gulf region.

Al Rayyan has produced over 20 million barrels from inception to the end of September 1999. Remaining proven recoverable reserves total 80.3 million barrels or 23.6 million barrels for Gulfstream's participation interest. These estimates have been derived by internationally-recognized independent reserve engineers.

DEVELOPMENT:

The global reality for oil and gas development is of increasing technical challenge and economic risk. Al Rayyan is an example of this emerging trend. Uncertainties regarding size of the resource and recovery factors have dictated a methodical development strategy.



Initial estimates of original oil in place at Al Rayyan covered a broad range. The field was potentially too small for multi-platform development and certainly too large to remain undeveloped. Early estimates suggested recovery factors of less than 10 percent for the Arab A interval and less than 20 percent for the Arab C. Observed aquifer support and expanded knowledge of reservoir properties have since increased recovery expectations to 30 percent. While water production per well has been variable - from 10,000 barrels per day of clean oil to high initial water cuts - all horizontal wells are producing and economic.

The expansion plan for Al Rayyan accommodates base case resource and recovery expectations and anticipated upside. Current temporary facilities are to be replaced by a refurbished jack-up platform, to remain in place over the life of the field. Facilities are to be sized at 60,000 barrels per day of oil to accommodate initial peak production and 180,000 barrels per day of total fluids to extend life of the field beyond a 95% water cut. Ultimately, production facilities can be transported to a new location to extend economic life. The development features horizontal laterals from existing well-bores to increase recoveries, optimal use of electric submersible pumps run on coiled tubing to minimize pump changeover costs, real time analysis via down-hole pressure gauges and surface readouts to monitor and optimize production.

Block 11, Block 13

The Qatar Consortium signed an Exploration and Production Sharing Agreement for Block 11 offshore Qatar in late-1997. According to terms of the EPSA, the Consortium has exclusive rights to explore for, appraise, develop, produce and sell crude oil and (non-North Field) natural gas for a thirty year period, with possible extensions.

Total area of Block 11 is 2,641 square kilometres. A 3,350 kilometre seismic program was completed by

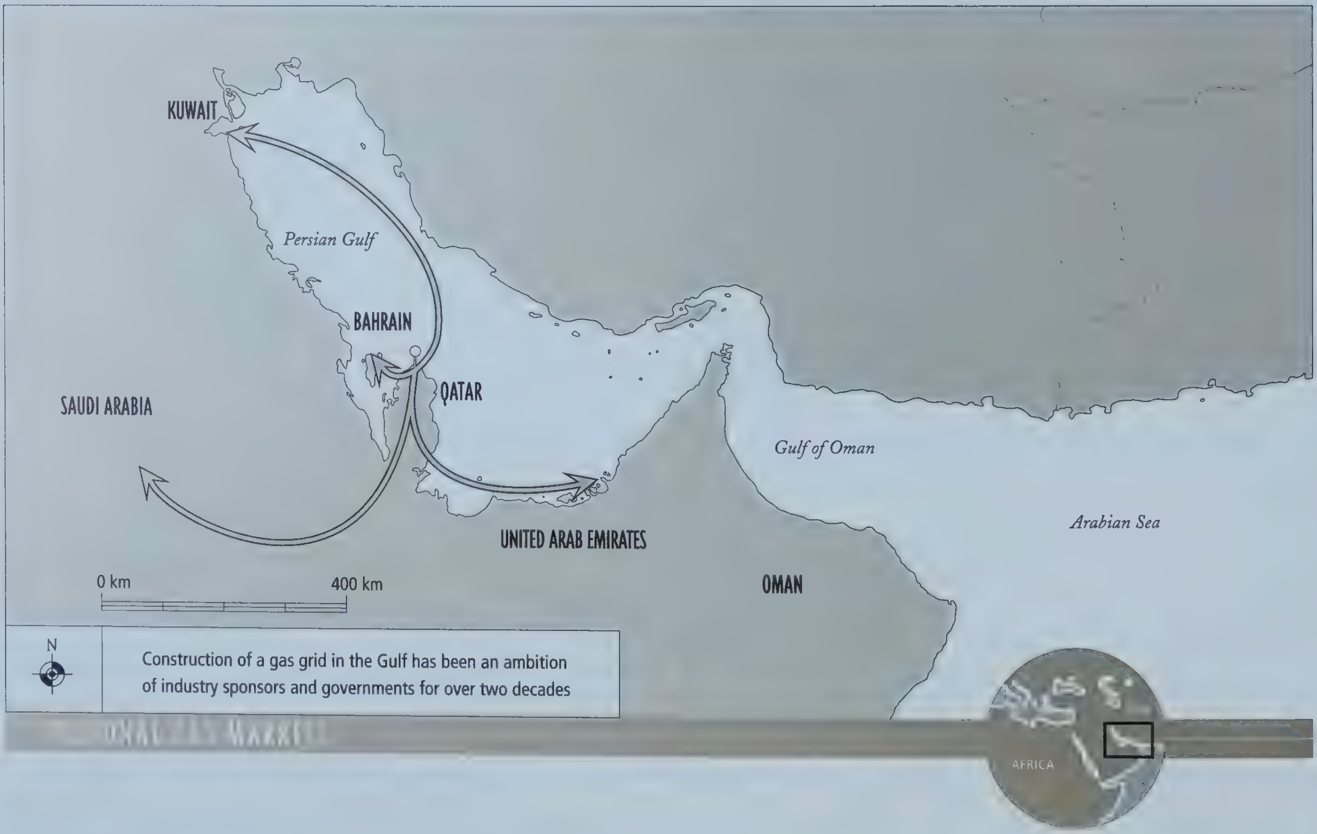
the Consortium in early-1997. Well ALR-8 in the northern portion of the Block was initially drilled as a step-out to the Al Rayyan discovery and encountered oil in a separate structure. A total of eight wells are located in the Block 11 area.

Gulfstream has identified seven sizeable prospects and leads in Block 11 to date. Probable reserves are estimated at 130 million barrels (Gulfstream interest 36 million barrels) with significant upside. Spending commitments for the initial four-year evaluation term have been met and drilling is planned for early 2001.

Block 13 covers 1,380 square kilometres offshore eastern Qatar. Oil and natural gas rights and obligations for the Block are defined by the 1976 Exploration and Production Sharing Agreement. The area is essentially unexplored apart from early vintage seismic coverage.

Block 13 has been under force majeure since 1986 due to a border dispute with neighbouring Bahrain. Once resolved, oil and gas rights extend for approximately seven years. Block 13 is believed to be one of the most prospective unexplored acreages in the Gulf region. Structures are on trend with the four billion barrel Dukhan field - Qatar's largest oil field. Block 13 provides an added dimension to Consortium offshore oil development potential in the medium term.

Development of Block 11 and Block 13 will benefit from the considerable experience and expertise gained from Al Rayyan. The proximity of all three areas also provides opportunity for development synergies.



Construction of a gas grid in the Gulf has been an ambition of industry sponsors and governments for over two decades

North Field Natural Gas

In mid-1997, the Qatar Consortium entered into Amending Agreement No. 1 which clarified and extended terms of the 1976 EPSA with regards to natural gas from the North Field - the world's largest non-associated gas field. According to the Amendment, the Consortium has the right to develop North Field natural gas and associated liquids destined to specified Gulf markets. The agreement defined a two-year marketing period with provision for extension. In October 1999, marketing rights were extended to July 2000, providing a continuing framework for initiatives of the Consortium to finalize a gas contract and commence development from the Field.

The Qatar Consortium has been working since late-1994 to position itself as principal supplier of North Field natural gas to pipeline accessible markets in the Gulf region, with the full support of the Government of Qatar and as defined by the Amending Agreement. Two offshore blocks have been allocated to the initial gas market, with proven reserves of 9.3 Tcf and probables of 0.8 Tcf. According to Amendment 1, additional areas are available to support approved sales to other markets in the Gulf region. Estimates of gas in place for the North Field exceed 350 trillion cubic feet. Gulfstream has reported proven gas reserves of 3.8 trillion cubic feet and 250 million barrels of liquids, representing its working interest share of production associated with a 25-year sales contract at 800 million cubic feet per day increasing to 1,200 million cubic feet per day after two years and 1,600 million cubic feet per day after four years.

Significant work has been done by the Consortium to pave the way for a large scale gas project targeting the Dubai market, considering all aspects of reservoir development, production, processing and transportation.

Construction of a gas grid in the Gulf has been an ambition of industry sponsors and governments for over two decades. Until recently, political and economic will has been insufficient to secure the most important first step of an initial gas contract. Today, the reality of increasing demand and gas shortages makes an initial gas contract inevitable. That inevitability has attracted much attention over the past year, resulting in a proliferation of often conflicting stories from the Middle East centred on Qatar as supplier and Dubai as purchaser. During this time, the Government of Qatar has continually expressed its support for the Qatar Consortium.

Valuation of Gulfstream 's interest in the North Field is unconventional as there is essentially zero production decline and reserves depletion and minimal maintenance capital. In this respect, the North Field is a gas equivalent of the world's largest oil resource - the Athabasca tar sands in northern Alberta. Like the North Field, tar sands development required huge capital investment, strong political will and perseverance. Each successive expansion has leveraged the economic impact of this almost inexhaustible resource.

The ARCO funding arrangement of October 1998 adds to the uniqueness and value of North Field natural gas to Gulfstream. According to terms of the funding agreement, ARCO has agreed to cover 100% of Gulfstream's share of capital expenditures in Qatar for an initial gas project.

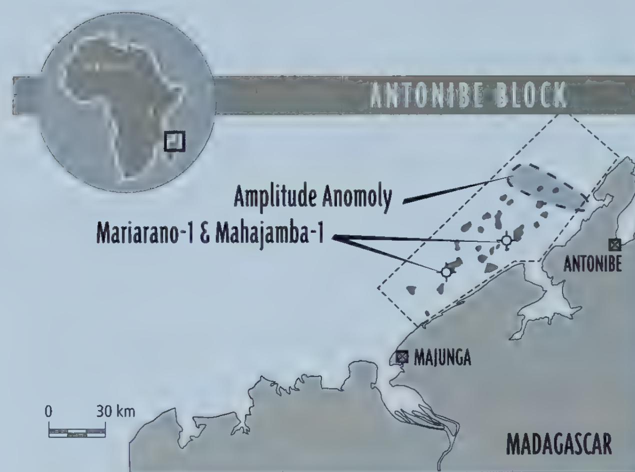
MADAGASCAR

were granted to Gulfstream in Madagascar in mid-1997 - the onshore Tsiribihina Block and offshore Antonibe Block. Gulfstream has an 82 percent interest at Tsiribihina and 80 percent interest at Antonibe. The respective convention documents define an eight-year evaluation period followed by a 12-year marketing period and extendible 35-year production period. Activity is currently ahead of schedule.

The Tsiribihina area covers 26,700 square kilometres on the western coast of the island. A total of 13 gas wells have been drilled by previous operators in the block area and numerous leads and prospects have been identified from existing seismic data. Gulfstream conducted a 300-kilometre seismic program in the north portion of the Block in late-1997, including the area of the West Manambolo-1 well which has 1 Tcf of estimated gas in place. Possible gas reserves of 55 Tcf have been identified in the Block.

The Antonibe area encompasses 5,200 square kilometres in the offshore Majunga basin. Two wells have tested gas in the Block. Gulfstream conducted an aeromagnetic survey at Antonibe in mid-1998 and is continuing processing and evaluation. Work to date has identified possible reserves of 24 Tcf.

Madagascar is a developing country with no oil and gas infrastructure and total reliance on imported oil. Prospects for natural gas and associated economic development are extremely good but will take time to realize. Gulfstream is currently evaluating drilling plans for 2000 and is examining scaled development options in-country and larger scale prospects accessing international markets.



Management's Discussion and Analysis

SHAREHOLDERS AND MARKET DATA

Outstanding shares at September 30, 1999 were 59.5 million. This number is up slightly from 1998 due to the exercise of options during the year. Market capitalization based on the closing price of $2.30 per share at fiscal year-end was $137 million.

In December 1999, the Company announced a dividend of 0.25 cents per common share, payable on December 31, 1999 to shareholders of record on December 15 of the year.

INCOME STATEMENT

Petroleum and natural gas sales totaled $18.6 million in 1999 compared to $30.9 million in 1998, due to reduced production from Al Rayyan in light of OPEC production curtailments and due to the disposition of Gulfstream's interest in the Margham field in Dubai effective September 30, 1998. Gulfstream's working interest share of sales from Al Rayyan was 4,551 barrels per day in 1999 compared to 6,092 barrels per day in 1998. The average price in 1999 for West Texas Intermediate oil was essentially flat compared to 1998. However, realized sales prices were up 7.6% in 1999, as differentials for Al Rayyan oil narrowed.

Gulfstream recorded revenues of $14.6 million as contract settlement income associated with a series of agreements signed in early 1999 with Atlantic Richfield Company. 1998 revenues included an $18.1 million gain on the disposal of Margham. Interest and other income were virtually unchanged in 1999 compared to 1998, at $1.4 million.

Total expenses decreased to $25.3 million in 1999 from $35.9 million in 1998, primarily due to a decline in asset write-downs from $10.5 million in 1998 to $1.3 million in 1999. The 1999 write-down was in Indonesia due to ongoing political and economic instability. Reduced production expenses due to the disposition of Margham were offset by increased administration expense resulting from staff additions and finance related expenses, and increased depletion and depreciation expense due to capital additions. Interest and financing charges declined to $0.2 million, down from $1.8 million in 1998.

Income before tax for 1999 was $9.3 million versus $14.5 million in 1998. Income taxes totaled $2.1 million for the year compared to $4.5 million for 1998 as a result of the disposition of Margham and due to lower production revenues.

Net income for 1999 was $7.2 million or $0.12 per share versus $10.0 million or $0.17 per share in 1998, reflecting both reduced production revenues and reduced expenses.

CASH FLOW

[illegible] before changes in non-cash working capital, contributed $16.5 million or $0.28 per share compared to $7.8 million or $0.13 per share in 1998. A working capital decrease of $17.8 million in 1999 offsets an increase of $22.0 million in 1998 due to the receipt of proceeds on the disposition of Margham which had been recorded as a receivable at 1998 year-end.

Financing activities resulted in a use of funds of $17.9 million in 1999, principally due to a decrease in bank indebtedness of $16.8 million.

Additions to oil and gas interests totaled $29.6 million in 1999. The majority of expenditures were in Oman and at Al Rayyan in Qatar. Oil and gas expenditures in 1998 were $37.3 million and the total of investing activities was $17.6 million, after allowing for proceeds on disposal of oil and gas interests of $21.9 million.

In aggregate, a decrease in cash of $13.2 million was recorded for 1999, resulting in an ending cash balance of $6.5 million, down from an opening balance of $19.7 million.

BALANCE SHEET

[illegible] were $9.2 million, with current liabilities of $10.6 million (including $3.5 million of short-term bank indebtedness). For the prior year, current assets totaled $44.9 million - representing cash and accounts receivable resulting from agreements with Atlantic Richfield Company and the disposition of Margham. Current liabilities were $11.5 million. Net property plant and equipment totaled $108.8 million at year-end, compared to $93.8 million one year earlier and total assets reached $118.0 million.

Bank indebtedness at September 30, 1999 was $3.5 million (classified as a current liability and repaid subsequent to year-end) versus $20.8 million at September 30, 1999. Shareholders' equity at year-end was $107.2 million, up from $106.3 million for the prior year.

BUSINESS RISKS AND BUSINESS ENVIRONMENT

Gulfstream operates in the international oil and gas business. Expectations and performance are subject to both the rewards and risks inherent in the oil and gas industry and in foreign investment.

Company activities are governed by agreements with governments over a specified time period defining work obligations, relinquishments, fiscal terms, expirations and other matters of a contractual nature. Prices and sales of petroleum and natural gas are determined by international markets.

With the exception of Qatar oil, all of the Company's operations are in the pre-production stage. Commercial success is dependent on successful identification of sufficient quantities of reserves together with securing markets and obtaining financing to bring projects into production.

The Canadian dollar is the reporting currency of the Company. Subsidiaries operate in US currency.

As Gulfstream had previously reported, management is addressing year 2000 conversion risks, although indirect impacts continue to be uncertain.

Auditors' Report to the Shareholders

To the Shareholders of Gulfstream Resources Canada Limited

We have audited the consolidated balance sheet of Gulfstream Resources Canada Limited as at September 30, 1999 and 1998 and the consolidated statements of operations, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1999 and 1998 and the results of its operations and its cash flow for the years then ended in accordance with generally accepted accounting principles in Canada.

Calgary, Alberta,
December 20, 1999.

Arthur Andersen LLP
Chartered Accountants

Consolidated Balance Sheet

As at September 30, 1999 and 1998	1999	1998
Current assets:		
Cash and cash equivalents (Note 6)	$ 6,497,094	$ 19,707,800
Accounts receivable	2,361,165	24,861,164
Crude oil inventory	296,356	357,208
	9,154,615	44,926,172
Property, plant and equipment (Notes 3 and 4)	108,801,723	93,824,634
	$ 117,956,338	$ 138,750,806
Current liabilities:		
Bank indebtedness (Note 5)	$ 3,467,730	$ -
Accounts payable and accrued liabilities	7,152,399	11,468,241
	10,620,129	11,468,241
Bank indebtedness (Note 5)	-	20,836,560
Site restoration and abandonment	176,302	123,040
Commitments and contingencies (Notes 3 and 9)		
Shareholders' equity:		
Share capital (Note 7)	68,890,789	68,745,589
Retained earnings	36,506,568	30,475,513
Cumulative translation account	1,762,550	7,101,863
	107,159,907	106,322,965
	$ 117,956,338	$ 138,750,806

Approved by the Board:

Director

Director

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Operations

For the Years ended September 30, 1999 and 1998	1999	1998
Revenues:		
Petroleum and natural gas sales	$ 18,563,236	$ 30,853,365
Contract settlement income (Note 3)	14,580,168	-
Interest and other income	1,430,201	1,376,277
Gain on disposal of Dubai oil and gas interests (Note 3)	-	18,109,359
	34,573,605	50,339,001
Expenses:		
Production	12,406,137	16,706,104
Depletion and depreciation	7,906,758	5,462,147
Administration (Note 4)	3,424,656	1,335,648
Write-down of oil and gas interests (Note 3)	1,322,384	10,542,817
Interest and financing	207,341	1,818,138
	25,267,276	35,864,854
Income before provision for income taxes	9,306,329	14,474,147
Provision for income taxes (Note 8)	2,086,534	4,451,929
Net income	$ 7,219,795	$ 10,022,218
Net income per common share (Note 7):		
Basic and fully diluted	$ 0.12	$ 0.17

Consolidated Statement of Retained Earnings

For the Years ended September 30, 1999 and 1998	1999	1998
Retained earnings, beginning of year	$ 30,475,513	$ 21,630,135
Net income	7,219,795	10,022,218
Dividends	(1,188,740)	(1,176,840)
Retained earnings, end of year	$ 36,506,568	$ 30,475,513

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flow

For the Years ended September 30, 1999 and 1998	1999	1998
Operating activities:		
Net income	$ 7,219,795	$ 10,022,218
Depletion and depreciation	7,906,758	5,462,147
Write-down of oil and gas interests	1,322,384	10,542,817
Gain on disposal of Dubai oil and gas interests	-	(18,109,359)
Unrealized foreign exchange loss (gain)	53,400	(130,103)
	16,502,337	7,787,720
Changes in non-cash working capital	4,764,856	(3,654,771)
	21,267,193	4,132,949
Financing activities:		
Proceeds from issue of common shares	145,200	1,170,320
Increase (decrease) in bank indebtedness	(16,820,051)	(427,858)
Dividends paid	(1,188,740)	(1,176,840)
	(17,863,591)	(434,378)
Investing activities:		
Additions to oil and gas interests, net	(29,552,552)	(37,295,058)
Additions to fixed assets, net	(79,234)	(2,202,273)
Proceeds on disposal of oil and gas interests	-	21,866,131
	(29,631,786)	(17,631,200)
Changes in non-cash working capital	13,070,878	(18,318,305)
	(16,560,908)	(35,949,505)
Foreign exchange (loss) gain on cash held in foreign currency	(53,400)	130,103
Decrease in cash	(13,210,706)	(32,120,831)
Cash and cash equivalents, beginning of year	19,707,800	51,828,631
Cash and cash equivalents, end of year	$ 6,497,094	$ 19,707,800
Interest received	$ 1,410,672	$ 1,217,401
Interest paid	$ 1,229,001	$ 2,403,157
Income taxes paid	$ 2,006,252	$ 6,104,269

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Nature of operations

Gulfstream Resources Canada Limited is a holding company. Through its subsidiaries the principal business is to acquire, develop, exploit, process and transport gas and oil. Gulfstream Resources Canada Limited and its subsidiaries are collectively referred to as "Gulfstream" or "the Company".

Commercial development and recoverability of all cost centres, with the exception of the Qatar oil operations (Note 3), is dependent on successful identification of sufficient quantities of reserves, together with securing markets for gas, oil and liquids, as well as obtaining the financing to bring these projects into production.

2. Summary of significant accounting policies

Consolidation
The consolidated financial statements include the accounts of Gulfstream Resources Canada Limited and its direct and indirect wholly-owned subsidiaries.

Joint ventures
The majority of oil and gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Oil and gas interests
The Company follows the Canadian full cost method of accounting for oil and gas interests whereby all costs of exploring for and developing oil and gas reserves are capitalized and accumulated in country-by-country cost centres. Capitalized costs include expenditures for land and concession acquisition, carrying and retaining undeveloped properties, geological and geophysical activities, drilling productive and non-productive wells, consulting services, interest costs on unproved properties and major development projects, and general and administrative costs relating to oil and gas activities.

a. Limitation on capitalized costs
For projects that have not yet reached commercial development, capitalized costs in each cost centre are assessed annually for recoverability. Capitalized costs that are considered unlikely to be recovered are written off. Revenues are offset against capitalized costs of the related cost centre until quantities of proven reserves are determined and commercial production has commenced.

When a cost centre has developed commercial quantities of proven oil and gas reserves, the capitalized costs of oil and gas interests are subject to a ceiling limitation test. Costs accumulated for each cost centre, less accumulated depletion and depreciation, are limited to the undiscounted estimate of future net revenue from production of proven reserves, plus the net cost of major development projects and the cost less impairment of unproven properties. Future net revenues are determined after provision for expenses including royalties, direct operating costs, future development expenditures and the cost of site restoration. Year-end costs and prices are used, except during periods of rapid fluctuations when more representative average prices may be used.

Proceeds from the disposition of oil and gas interests in commercial production are deducted from the cost centre, unless the disposition results in a significant change in the depletion rate, in which case a gain or loss on disposal is recognized.

Costs accumulated in all cost centres, less accumulated depletion and depreciation, are limited to the total undiscounted estimate of future net revenue on a consolidated worldwide basis plus the net cost of major development projects and unproven properties less estimated future interest expense, administrative costs and income taxes attributable to those operations.

b. **Depletion and depreciation and provision for future site restoration**
When commercial production commences, costs accumulated in a cost centre, including provision for necessary future development expenditures, are depleted and depreciated using the unit-of-production method over the life of estimated proven reserves. Excluded from these costs and reserves will be significant development projects prior to commencement of commercial production, and unimpaired expenditures on significant exploration projects pending an assessment of the existence of proven reserves.

All oil and gas cost centres, with the exception of the Qatar oil operations (Note 3), are in the pre-production stage and the related capitalized costs with a carrying value of approximately $72 million (1998 - $58 million) are not currently subject to depletion and depreciation.

Estimated future site restoration costs are provided for using the unit-of-production method over the life of estimated proven reserves. The provision is included in depletion and depreciation expense and costs are estimated by the Company based on current regulations, costs, technology and industry standards. Site restoration expenditures incurred are recorded as a reduction of the accumulated provision.

The amounts recorded for depletion and depreciation of oil and gas interests and for site restoration and reclamation are based on estimates of reserves and future costs. By their nature, these estimates, as well as estimates related to the future cash flows used in the full cost ceiling limitation test and estimates to assess the recoverability of non-commercial oil and gas interests are subject to measurement uncertainty and the impact of the uncertainty on the financial statements could be material.

Fixed assets
Fixed assets are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives.

Inventories
Inventories are stated at the lower of cost or net realizable value. The cost of crude oil and condensate inventory is determined based on average lifting costs.

Foreign currency translation
The assets and liabilities of foreign operations considered financially and operationally independent are translated into Canadian dollars from their primary currencies using exchange rates at the balance sheet date. Revenue and expense items are translated using the average rates of exchange throughout the year. Gains and losses resulting from this translation process are deferred and included in the cumulative translation account in Shareholders' Equity.

Transactions and monetary balances denominated in a currency other than a primary currency are translated into the primary currency using month-end exchange rates. Gains and losses resulting from this translation process are included in income.

3. Segmented information

1999 (Thousands)	Qatar	Dubai	Madagascar	Oman	Indonesia	Consolidated
Revenues	$ 33,143	$ -	$ -	$ -	$ -	$ 33,143
Operating profit	$ 13,470	$ -	$ -	$ -	$ (1,322)	$ 12,148
General corporate expenses						(4,271)
Interest and other income						1,430
Income taxes						(2,087)
Net income						$ 7,220
Identifiable assets	$ 76,877	$ -	$ 14,086	$ 19,872	$ -	$ 110,835
Corporate assets						7,121
Total assets						$ 117,956

1998 (Thousands)	Qatar	Dubai	Madagascar	Oman	Indonesia	Other	Consolidated
Revenues	$ 21,457	$ 27,506	$ -	$ -	$ -	$ -	$ 48,963
Operating profit	$ 3,817	$ 23,457	$ -	$ -	$ (9,200)	$ (1,342)	$ 16,732
General corporate expenses							(3,634)
Interest and other income							1,376
Income taxes							(4,452)
Net income							$ 10,022
Identifiable assets	$ 73,949	$ 21,866	$ 11,485	$ 9,419	$ 2,106	$ -	$ 118,825
Corporate assets							19,926
Total assets							$ 138,751

Gulfstream participates in oil and gas activities as a joint venture partner with other companies and is contractually committed under various agreements to complete investment expenditures in order to maintain its interests.

a. Qatar

(i) Qatar EPSA

Gulfstream has a 27.5 percent participation interest in the Qatar Exploration and Production Sharing Agreement (the "Qatar EPSA") and related amendments to the Qatar EPSA with the Government of Qatar.

At September 30, 1999, the consortium under the Qatar EPSA has unrecovered costs of approximately US$ 196 million (1998 - US$ 166 million) that are recoverable from any future production. Gulfstream's interest in the unrecovered costs is approximately US$ 62 million (1998 - US$ 56 million).

Oil

Effective January 1, 1997 management determined that Qatar oil achieved commercial production.

Gas

Effective July 16, 1997 Gulfstream entered into Amending Agreement No. 1 to the original Qatar EPSA. The amending agreement grants to the consortium the exclusive right to explore for, develop, produce and transport non-associated gas, condensate and liquified petroleum gas (LPG) from the Gas Area and expires on July 16, 2000.

On October 5, 1998 the Company executed a comprehensive strategic agreement with Atlantic Richfield Company and ARCO Qatar Inc. (collectively "ARCO"). Under the terms of the agreement, the Company received net proceeds of US$ 9.4 million on October 5, 1998 for the re-negotiation of certain contractual obligations. In addition, the Company and ARCO have entered into a cost-sharing arrangement whereby, at the Company's option, ARCO has agreed to fund all of the Company's 27.5 percent share of capital costs for the construction of the first Qatar gas gathering and producing facilities project up to a size of 1.2 billion cubic feet of gas per day. The agreement requires no additional capital contribution from the Company and recourse is limited to cash flow proceeds from the gas project.

Costs of approximately US$ 21 million incurred and capitalized within the Qatar cost centre related to the development of the natural gas reserves continue to be classified as a major development project and are therefore excluded from costs subject to depletion and depreciation.

(ii) **Block 11 EPSA**

Gulfstream has a 27.5 percent participation interest in the Qatar Exploration and Production Sharing Agreement for Offshore Block 11, (the "Block 11 EPSA"). The Block 11 EPSA grants the consortium the exclusive rights to explore for, appraise, develop, produce and sell crude oil and non-associated gas. The term of the Block 11 EPSA is for a period of thirty years from July 16, 1997 with possible extensions of five years each.

Terms of the Block 11 EPSA require the consortium to conduct a 2,000 square kilometre seismic program, to reprocess 500 square kilometres of existing seismic data and drill a minimum of two exploration wells during the first four years of the contract period.

b. **Dubai**

In 1998, the Company disposed of its interest in the Margham Concession for proceeds of approximately $21,866,000, resulting in a gain of approximately $18,109,000.

c. **Madagascar**

Letters of Agreement between the Office des Mines et des Industries Strategiques (OMNIS) and Gulfstream were executed on October 5, 1995. Gulfstream and OMNIS entered into a joint operating agreement dated July 14, 1997. These Agreements establish a joint venture association and the parties' rights and obligations for the purpose of prospecting for, researching, exploiting, transporting, processing and marketing of hydrocarbons located within the offshore Majunga Basin, called the Antonibe Area, and the onshore Morondova Basin, called the Tsiribihina Area. In the Antonibe Area, the Company is responsible for 97.5 percent of the capital costs and has a participating interest of 79.95 percent before a 200 percent risked payout, decreasing to 48.75 percent after payout. In addition, in the Antonibe Area the Company has agreed to incur on behalf of a third party 2.50 percent of the capital costs, which are recoverable from any future production. In the Tsiribihina Area, the Company is responsible for 100 percent of the capital costs and has a participating interest of 82 percent before a 200 percent risked payout, decreasing to 50 percent after payout. Gulfstream is designated as the Operator.

The Company's minimum financial obligation to develop the Madagascar properties requires total capital expenditures of approximately US$ 13,650,000, of which approximately US$ 9,665,000 has been incurred to September 30, 1999.

d. **Oman**

Gulfstream entered into an Exploration and Production Sharing Agreement (the "Oman EPSA"), dated July 26, 1997, with the Government of the Sultanate of Oman. The Oman EPSA grants to Gulfstream, subject to the terms of the Agreement, the exclusive right to explore for, develop and produce petroleum within the Block 30 (Hafar) contract area, and sell or dispose of its share of the petroleum discovered. The initial term of the agreement extends for three years from October 6, 1997, the date of issue of the Royal Decree by His Majesty The Sultan ratifying the agreement, and is extendable for an additional three years upon payment of a US$ 500,000 renewal bonus. Gulfstream's initial term financial obligation requires expenditures of at least US$ 8,000,000 primarily related to processing of seismic data and drilling of an exploratory well. At September 30, 1999, approximately US$ 9,810,000 has been incurred.

Upon the first declaration of a commercial discovery, Gulfstream is required to pay bonuses of US$ 1,000,000 to the Government and US$ 1,400,000 to a consultant. In addition, Gulfstream is required to pay the Government a production bonus of US$ 2,000,000 on the first anniversary of first commercial production.

e. **Indonesia**

The Company wrote off its remaining capitalized costs of approximately $1,322,000 in 1999 and wrote down its capitalized costs by $9,200,000 in 1998, due to ongoing political and economic instability.

f. **Other**

During 1998, the Company relinquished its participation rights in Block 2 Shabwa Province, Republic of Yemen and, as a result, capitalized costs of approximately $1,342,000 were written off.

g. **Corporate**

The assets of Gulfstream Resources Canada Limited consist primarily of cash and cash equivalents and corporate fixed assets.

4. Property, plant and equipment

	Oil and Gas Interests		Fixed Assets	
	1999	1998	**1999**	1998
Cost	**$ 121,545,063**	$ 98,793,713	**$ 3,373,540**	$ 3,301,795
Accumulated depletion and depreciation	**(14,639,288)**	(7,425,281)	**(1,477,592)**	(845,593)
Net carrying value	**$ 106,905,775**	$ 91,368,432	**$ 1,895,948**	$ 2,456,202

The Company capitalized interest on unproved properties and major development projects of approximately $859,000 (1998 - $788,000) and general and administrative expenses of approximately $3,005,000 (1998 - $3,004,000).

5. Bank indebtedness

The Company had a US$ 37 million credit facility with a consortium of major international banks of which US$ 2,359,000 was outstanding at September 30, 1999. On October 5, 1999 the Company repaid all amounts outstanding and terminated the US$ 37 million credit facility. As a result, the bank indebtedness outstanding at September 30, 1999 is classified as a current liability.

The Company designated the US dollar denominated debt as a hedge of the net investment in self-sustaining foreign operations and has therefore included foreign exchange gains and losses from the translation of the debt into Canadian dollars in the cumulative translation account.

6.

Cash and cash equivalents consist of cash balances with banks and investments in term deposits and marketable securities. Marketable securities are recorded at cost of $100,000 (1998 - $nil) and the market value at September 30, 1999 is $290,000 (1998 - $nil). The balance at year-end is comprised of the following amounts:

	1999	1998
Cash balances with banks	$ 828,527	$ 2,652,162
Short-term deposits and marketable securities	5,668,567	17,055,638
	$ 6,497,094	$ 19,707,800

7.

a. **Authorized**

An unlimited number of common shares.

b. **Issued and outstanding**

	Common Shares	Amount
Balance, September 30, 1997	58,797,098	$ 67,575,269
Exercise of options	619,000	1,170,320
Balance, September 30, 1998	59,416,098	68,745,589
Exercise of options	90,000	145,200
Balance, September 30, 1999	59,506,098	$ 68,890,789

c. **Issued and outstanding warrants to purchase common shares**

Outstanding at September 30, 1999 were warrants to purchase 50,000 common shares at an exercise price of $7.22 per share. These options were surrendered to the Company on October 26, 1999.

d. Outstanding options issued to officers, employees, consultants and directors to purchase common shares

Issued	Expiry Date	Exercise Price ($)	Balance, Sept. 30, 1998	Issued in Fiscal 1999	Exercised in Fiscal 1999	Cancelled in Fiscal 1999	Balance, Sept. 30, 1999
Aug. 1994	Aug. 17, 2004	1.24	697,000	-	50,000	-	647,000
Apr. 1995	Apr. 4, 2005	1.58	120,000	-	-	-	120,000
May 1995	May 1, 2005	2.08	1,870,000	-	40,000	-	1,830,000
Oct. 1995	Oct. 5, 2005	3.60	311,000	-	-	12,000	299,000
July 1996	July 10, 2006	5.25	938,000	-	-	16,000	922,000
July 1997	July 16, 2007	9.70	587,000	-	-	22,500	564,500
Oct. 1997	Oct. 23, 1999	11.30	25,000	-	-	5,000	20,000
Feb. 1998	Feb. 2, 2000	7.55	20,000	-	-	-	20,000
Mar. 1998	Mar. 24, 2008	6.90	595,000	-	-	17,500	577,500
Oct. 1998	Oct. 13, 2008	4.25	-	957,500	-	25,000	932,500
Feb. 1999	Feb. 1, 2009	3.30	-	650,000	-	-	650,000
			5,163,000	1,607,500	90,000	98,000	6,582,500

e. Net income per common share

The weighted average number of common shares outstanding for the basic and fully diluted earnings per share calculations for the year ended September 30, 1999 was 59,440,427 (1998 - 59,227,657) and 65,049,598 (1998 - 64,579,098) respectively.

8. Income taxes

The majority of operations are conducted in foreign jurisdictions and substantially all income is earned outside Canada. The following table reconciles the expected Canadian income taxes, as if all income was earned in Canada, to the provision recorded in the financial statements.

	1999	1998
Income before provision for income taxes	**$ 9,306,329**	$ 14,474,147
Combined Canadian federal and provincial income tax rate	**44.6%**	44.6%
Expected tax provision	**4,150,623**	6,455,470
Effect of:		
Capital gain on sale of Dubai oil and gas interests	**-**	(8,076,851)
Capital gain on contract settlement income	**(6,502,755)**	-
Write-down of oil and gas interests	**589,783**	4,702,096
Rate differences in foreign jurisdictions	**(548,142)**	(434,565)
Losses not recognized for tax accounting	**4,322,335**	1,716,073
Large corporation tax	**74,690**	89,706
Provision for income taxes	**$ 2,086,534**	$ 4,451,929

9. Commitment and contingency

In addition to the commitments and contingencies described elsewhere in the financial statements, the Company has guaranteed certain financial and performance obligations of a third party oil and gas company on a subordinated basis, in favour of a foreign government to a maximum of US$ 2,000,000. Gulfstream has been provided an indemnity which ranks senior to all existing and future debt of the third party. Under the terms of the arrangement, Gulfstream received a cash payment of US$ 50,000, an 8 percent ownership interest in the third party with Board of Directors representation and an option to acquire an additional 40,000 shares at US$ 15.00 per share until 2004.

10. Year 2000 Issue

Most entities depend on computerized systems and therefore are exposed to a Year 2000 conversion risk, which, if not properly addressed, could affect an entity's ability to conduct normal business operations. Management is addressing this issue, however, given the nature of this risk, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company and those with whom it deals such as customers, suppliers, or other third parties, will be fully resolved without adverse impact on the Company's operations.

11. Financial instruments

Financial instruments are comprised of accounts receivable, accounts payable, bank indebtedness and corporate guarantees.

a. **Credit risk**
A substantial portion of the Company's accounts receivable are with customers and joint venture participants in the oil and gas industry and are subject to normal industry credit risks. The carrying value of accounts receivable reflects management's assessment of the credit risk associated with these customers and participants.

b. **Interest rate risk**
The Company is exposed to interest rate risk on bank indebtedness based on floating interest rates which were 6.63 percent at September 30, 1999.

c. **Fair values of financial assets and liabilities**
The fair values of financial assets and liabilities that are included in the consolidated balance sheet approximate their carrying amount due to the short-term maturity of those instruments.

12. Comparative figures

Certain comparative information has been reclassified to conform to the presentation adopted at September 30, 1999.

13. Event subsequent to September 30, 1999

On December 6, 1999, the Company declared a dividend of 0.25 cents per share to be paid on December 31, 1999 to shareholders of record on December 15, 1999.

Corporate Information

DIRECTORS

Bryan Benitz
Chairman
Benitz & Partners Ltd.
London, England

John S. Burns, Q.C.
Partner
Bennett Jones
Calgary, Canada

John H. Craig
Partner
Cassels, Brock & Blackwell
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Roger A. Haines
Deputy Chairman
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President & Chief Executive Officer
Player Petroleum Corporation
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Formerly Executive Vice President,
Chief Operating Officer & Secretary to the Board
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Toronto, Canada

J. Angus McKee
Chairman & Chief Executive Officer
Gulfstream Resources Limited
Nicosia, Cyprus

Douglas G. Stoneman
Formerly Executive Vice President & Director
Shell Canada Limited
Formerly President & Chief Executive Officer
Prism Sulphur Corporation
Victoria, Canada

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Chairman

Gary J. Beagle
Vice President Finance, Chief Financial Officer
& Secretary to the Board

John S. Burns, Q.C.
Assistant Secretary to the Board

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SOLICITORS

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Printed in Canada Designed and Produced by Merlin Creative Group Inc.

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